

FINANCE COMMITTEE REPORT

August 10, 2015

A Finance Committee meeting was held Monday, August 10, 2015, at 6:00 p.m. in the County Administration Building, Quorum Court Meeting Room, 215 East Central, Bentonville, Arkansas.

Committee Members Present: JP's Allen, Moore, Jones, Slinkard, Moehring, Chiocco

Absent: JP Easley

Others Present: JP's Harrison, Adams, Anglin, Meyers, County Clerk Tena O'Brien, Bob Wright and Jill Druer from Crews & Associates

Media: Tom Sissom

PUBLIC COMMENTS

None.

APPROPRIATION ORDINANCE REQUESTS

Homeland Security Appropriation Ordinance

Comptroller Brenda Guenther submitted a Homeland Security appropriation request to transfer funds out of the Capital outlay area and into Supplies. Emergency Management Director Mike Dixon requested to move \$6,776 out of Machinery and Equipment in the Capital category and into Small Equipment so that he has approval from the state to purchase computers to be used for HazMat response. They have saved some money from what they were originally approved for and this is the leftover funds.

JP Chiocco made a motion to approve and forward to the August 11, 2015 Committee of the Whole agenda, seconded by JP Slinkard.

Motion passed by unanimous show of hands vote.

Brenda Guenther noted that several ordinances and resolutions have already been forwarded on to the Committee of the Whole – the mobile tablets for the Sheriff's Department, an adjustment in the Assessor's capital, and Administrator of Public Safety Marshal Watson was able to provide a cost of \$288,300 to begin ambulance service in the southeast area of the county. She said this amount is for one refurbished ambulance and additional equipment, and gave the line item breakdown of \$42,800 in Small Equipment, \$10,000 in Maintenance & Repair, \$500 in Fleet Liability, \$55,000 in Machinery, and \$180,000 for Vehicles and Equipment.

JP Allen discussed the plan and the handling of the appropriation.

JP K. Harrison reminded the committee that Mercy has said they would be willing to borrow an ambulance to cover the Southeast area until one can be purchased, and questioned why this could not be added to the 2016 budget process. JP Moore said that the ambulance price might not hold for a later date, and he would like to see a proposed contract with Mercy that the judge, with the committee's approval, could accept or reject. Brenda Guenther said that this could be added to the Committee of the Whole agenda. JP Jones said that \$180,000 is what a new ambulance costs, and he would hope that the City of Springdale would cover the area for the two to three months that it might take to get an ambulance in service. JP Adams asked for clarification for the Small Equipment versus Machinery &

Equipment. Brenda Guenther explained that anything over \$5,000 is classified as Machinery & Equipment, and under \$5,000 is Small Equipment.

JP Anglin reiterated that the urgency in this is that the ambulance must be outfitted before a license can be obtained.

JP Moehring expressed concern that the county is rushing the issue, the call volume is not high enough to support it, the cost is extraordinary and he does not support it.

JP Allen expressed that he is uncomfortable supporting this particular appropriation ordinance because it is too fast and he wants to wait until September so they can hear the presentation from Judge Clinard and Marshal Watson at the Committee of the Whole meeting.

JP Moore suggested moving it on to the Committee of the Whole without a recommendation. JP Allen said he would still like to reserve any perception or indication that he supports it at this point. JP Jones stated that a month will not hurt anything but reiterated that the negotiations with Mercy are about the cost of the service and not the cost of the ambulance; an ambulance must be purchased to get a license to serve the people in the Hickory Creek area, regardless of who ends up being the provider.

JP Allen said he would like to see the breakdown of how they arrived at the \$288,300 number. Brenda Guenther discussed the breakdown in further detail.

JP Meyers expressed a desire to get this resolved so that the people in his district are not without ambulance service.

JP Harrison said he agrees and wants Marshal Watson to provide a breakdown at tomorrow's Committee of the Whole meeting.

JP Allen said he is not opposed and wants to get moving on it, but he was caught off guard by the \$288,300 appropriation suddenly being on the meeting agenda.

JP Jones made motion to forward to the August 11, 2015 Committee of the Whole agenda, seconded by JP Chiocco, with JP Jones as sponsor.

Motion passed by show of hands: 5 votes in favor: Moore, Allen, Jones, Chiocco, Slinkard
1 vote against: Moehring.

COMPTROLLER REPORT

Comptroller Brenda Guenther reported that revenues for July for this time last year are ahead by \$158,000. She stated that the key indicators of revenue increases are 1) property tax up \$400,000, 2) sales tax up \$315,000, 3) jail fees up \$550,000, 4) road department is down almost \$2,000,000 from a year ago because of FEMA and state disasters, and 5) sale of equipment up \$565,000. She stated that the county is \$517,000 worse in the General and Road Funds but most of that is due to a transfer of \$2,000,000 out of General and Road Funds and into the Capital Projects Fund. This is the reason why other funds are up by 1,400,000 so the overall balances are \$842,000 better than a year ago. The cash balance for the General and Road fund is \$17,400,000. She stated that the county is statutorily required to hold 10%, or \$7,000,000 for the 2015 budget; the remaining cash over and above that is \$13,900,000. Last year there was a turn back of \$3,600,000 but now it is (\$1,900,000) because \$2,000,000 was transferred out for storm damages and the county paid a settlement of \$520,000.

JP Slinkard requested clarification on the other funds.

JP Harrison asked about the special funds and if they can be invested to increase the funds. Brenda Guenther replied that they can but any interest income must be returned to the original fund.

JP Allen expressed concern about having to dip into reserves and requested a trend analysis. Brenda Guenther commented that the Legislative Audit just passed a change in the law. She stated that the 10% statutory still stands but it allows you to spend up to 100% if it is in grants and the county's grants are

kept in special funds so she recommends staying with the 10%. JP Anglin asked about the new laws passed this year in the legislature and the input it will have on the county's turn back. Brenda Guenther stated that she does not think it will have an impact but she will report back on it.

A-133 Audit – FY 2014

Comptroller Brenda Guenther informed the committee that the A-133 Audit is for any grants over and above the \$5,000 level and the total amount. Currently they are still working on 2013 because the legislative audit has not released their audit. The current CPAs have said they will not do 2014's audit. JP Allen recommended BKD Accounting Firm, and said they have put together an engagement report and could possibly get some people in by September and get it done. Their \$17,600 fee is higher than the \$8,000-\$9,000 the county has been paying. She does not know how much 2013 will be because it is still being finalized. They have been working with the office of the Inspector General at the national level because of the issues they have been running into. They want both the schedule of expenditures and awards (A-133) in with the financial audit that the Legislative Audit does. She has been in conversations with Kimberly Motherwell, the legislative auditor, who has said she may be able to start late this month or in September. JP Allen questioned if BKD is too expensive and may be overkill. Brenda Guenther stated that she feels that BKD will give much more consistent auditing. She would like to increase the county's grants to make it worth the cost but she can also check with some other firms. JP Slinkard inquired about what type of grants this concerns. Brenda Guenther stated that it is for federal grants; however, they will look at all the grants. JP Meyers asked if the county ages its payables and Brenda Guenther replied that the payables are paid very quickly and that aging the payables has never been done in the past. JP Harrison stated that the cheapest option is not always the best and the firm that can best meet the county's needs should be the primary consideration. JP Jones expressed concern about the timeframe. Brenda Guenther stated that the report will be done by September. JP Allen reiterated that BKD is a good firm with a good track record but suggested trying to negotiate a better deal. Brenda Guenther said she will proceed as discussed.

Budget Schedule

Comptroller Brenda Guenther covered the budget process calendar. She stated that packet distribution will be started tomorrow and it follows the same process used in the past. She said that budget meetings will begin soon. JP Moore asked if guidance is provided along with the packets. Brenda Guenther stated that she meets with everyone on an individual basis to discuss their budgets. JP Allen said this is an appropriate time to give direction. JP Moore stated that the goal is to keep the budget flat and this was discussed. JP Slinkard asked when the turn back from each fund will be known. JP Allen and Brenda Guenther estimated it will be late December or early January. JP Allen estimates it will not be as much because of the budget cuts made. The budget process was discussed. Brenda Guenther stated that September 11th is the deadline to submit and she will have all the data needed by October 16th. She recommends seeing where they are at the Finance Meeting in October and going from there as far as when to schedule Budget Committee meetings.

FUND SUMMARY

2015 Budget Recapitulation

Comptroller Brenda Guenther said that they originally started the year with a budget of \$200,000 to the positive and, with transfers of \$2,000,000 out and the \$1,300,000 moved back to the road department and the \$650,000 in the insurance settlement, the balance is negative at the moment. She stated that transferring money to capital does make a difference. Revenues were discussed.

2015 through 7/31/15 Monthly Fund Summary

Brenda Guenther stated that the total General and Road is at 58.09% of overall budget and the target is 58.3%; she feels that this is fine. Other funds are at 52.86%.

2015 vs. 2014 Comparison through 7/31/15 Year-to-Year Fund Summary

Brenda Guenther stated that County General and County Road are only 0.94% more spent in personnel versus a year ago which says that, if they have 3% raises, they are still doing better than a year ago. She stated that overall \$4,000,000 more has been spent this year, mostly because of capital, but she feels that this is all right.

MONTHLY REPORTS

Overtime and Premium Pay Analysis

Comptroller Brenda Guenther showed that the overtime budget is at 87.5%, and stated that this budget was cut quite a bit versus a year ago, but they are still watching it closely. She said they have had many conversations with the Sheriff's Department, and noted that the step reimbursements do not get backed out of the total cost, but it is budgeted as revenue, and there will also be reimbursements from the DEA and the Corps of Engineers, which are not reflected in this report. She said that they might need to look at showing that another way.

Grants Administrator Report

Comptroller Brenda Guenther stated that an environmental quality grant was applied for and the resolution approved. She said a GIS office grant for a County Clerk employee to attend a symposium was applied for. County Clerk Tena O'Brien said it was not awarded. Brenda Guenther said that at the last Finance Committee Meeting, a Juvenile Accountability Block Grant for a \$7,500 ordinance was approved for a travel grant. She said a grant company is coming in to show a software package to help find grants which may be part of next year's budget. She stated that she has reached out to Gary Jackson to get the first reimbursement back from the Walton Family grant.

Fuel Analysis

Comptroller Brenda Guenther stated that they are at 35% of the Sheriff and Jail budgets and Road is at 32%. JP Jones requested the number of gallons used. Brenda Guenther stated that she would provide it.

Sales Tax Numbers

Comptroller Brenda Guenther stated that they had a down period because the prior year had an up period. They are still running 7.36% and will be over \$8,000,000 by the end of the year.

Jail Collections

Comptroller Brenda Guenther said \$610,000 was collected and they are currently running \$55,000 ahead on the whole year's budget. She stated that the number of prisoners jailed in July was the highest for the year. JP Harrison inquired about municipalities between this year and last year. Brenda Guenther said she would provide that information.

DISCUSSION

Financing Options to Fund Courts Facility

JP Allen said they will not be ready to put the courthouse issue on the ballot for the Primary Election on March 1st and this was briefly discussed. JP Harrison stated that he felt it should be in the General Election. JP Moore agreed. JP Adams agreed that it should be in the General Election but he believes it

would be a good idea to drop into the municipalities in their districts to let them know what is going on. JP Allen stated that he spoke with Bob Wright from Crews & Associates who informed him that interest rates have gotten more favorable but JP Allen is concerned that they might change and it is a gamble. The timeframe and financing options were discussed.

JP Allen suggested a motion to send a recommendation to the Committee of the Whole to not have the courthouse campaign in the March 1st Primary Election.

JP Slinkard made the motion, seconded by JP Moehring.

Finances and location of the court facility were discussed. JP Moehring stated that, more than construction costs, the committee needs to consider that there will need to be a campaign. JP Moore said the early primary season will complicate the issue. JP Slinkard agrees that they need to wait until November to get this out to the public because March 1st is too soon.

Motion passed by unanimous show of hands vote.

JP Jones said that if they're going to wait until November, and they decide to go ahead with a jail expansion, he would like to see a request to include that cost in the ballot proposal so they don't have to ask for another sales tax later in 2018.

JP Anglin asked if there are any other options besides sales tax and millage increase.

JP Allen stated that they have not made a decision on that. He said that if the sales tax millage is not approved, the option would be to scale down the scope of work and this would be done during the budget process.

JP Moore reminded everyone of the 1996 election that paired courthouse and jail issues on the ballot and both failed.

JP Jones suggested including the amount the county will pledge into the language.

JP Allen stated that they must go through the budget process to determine that.

JP Moehring stated that part of their obligation is to get a feel for what the people might bear, versus what the county will bear, and cautioned against moving hastily.

JP Harrison reminded the committee that the jail fees can be used to help pay down the expenses on the jail expansion.

Bob Wright of Crews & Associates stated that a full mil may be needed to take care of the debt. If they want to go 1/2-cent or 5/8-cent or more, they can collect it as they go and will not need financing. The county may want to put a reimbursement resolution in place to give some flexibility so that if money is spent on architecture toward the project, then it can be paid back out of the financing. JP Jones said that they are pulling a lot from the General Fund into the jail for operations and maintenance and he said this is just like pulling it out of reserves unless jail fees are increased, which he doesn't see that happening.

Bob Wright said there is no statutory option to pledge revenues from the jail toward repaying a debt. Jill Druer of Crews & Associates stated that it is not to say the income cannot be used to pay the debt down; it just means it is not security for the bonds and they would have to rely on the sales tax.

JP Jones suggested a special meeting with Crews & Associates to go over the numbers with the computer software. Bob Wright agreed to schedule it.

JP Allen stated that the budget process will drive a lot of the issue with the timing and dates, so a meeting may be needed during the budget process or at the first of the year.

JP Adams expressed concerned that it is too soon to start running the numbers. Bob Wright said that even if they do not meet until the first of the year, as soon as he puts it on the computer, he can make

changes instantaneously, and work on it even with general numbers to answer more specifically which tax they need to go with to get the needed results. The timeframe was discussed.

JP Allen asked if there is any state statute prohibiting an election to be held on the same day as a school board election. Jill Druer stated that it cannot be on the same day as a school board election but there can be a special election for it.

JP Anglin asked if the county government ever does polling. JP Allen said he does not think the county is allowed to do it but someone else could do it. Jill Druer stated than an interested party could do a random sample of calls to find out the public support for a tax or a jail and courthouse. She also said that the jail and courthouse can be put on the ballot separately. JP Moehring said that the location site needs to be officially settled before an action plan can be properly developed.

OTHER BUSINESS

None.

JP Slinkard asked about the Assessor's vehicles and if account 405 was still under capital outlay. Comptroller Brenda Guenther said that it was.

JP Allen reminded everyone to be at Tuesday's Committee of the Whole meeting to see Hight-Jackson's presentation on the G2 plan.

Meeting adjourned at 8:16 p.m.